

DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON 25, D.C.



REPLY TO  
ATTN OF:

SUBJECT:

TO:

OSA-2010-65  
#1540

REPLY TO:  
Auditor General Representative (APL)  
P. O. Box 8155  
S. W. Station  
Washington, D. C.

13 May 1965

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SUBJECT: Review of Proposals for Two (2) CPFF Contracts



TO : Contracting Officer

REF : Proposal No. GN-8652 dated 20 March 1965, and  
GN-8653 dated 17 March 1965

1. In accordance with oral request, a review was made of the subject proposals prior to the pricing conference and the auditor attended the negotiation meeting at the contractor's plant on 5 May 1965. The proposals were made for the purpose of definitizing letter contracts AF33(657)-14350 and AF33(657)-14351. The former calls for

Development at a proposed estimated price of [redacted] and the latter for [redacted] at an estimated price of [redacted].

Subsequent to the submission of the proposal under contract AF33(657)-14350, certain items were eliminated from the requirements which resulted in a revised proposal from the contractor for an estimated price of [redacted] or a reduction of [redacted].

2. The review included evaluation of the proposed labor rates, the engineering and manufacturing burden rates, the material handling overhead rate and the general and administrative expense rate. The contractor's material price estimates were largely based on suppliers' catalog prices and telephone quotes. The auditor made substantial tests of the accuracy of the catalog prices. The direct labor hours proposed, the mix thereof, and the direct material requirements under the contracts were reviewed by government technical personnel.

USAF review(s) completed.

3. Results of Review:

a. The labor rates utilized by the contractor in this proposal were the rates approved for forward pricing by the Air Force on 20 June 1963. The contractor is presently preparing to propose new rates based on current conditions which are higher than those previously approved in most instances. However, the use of the old rates appears to be reasonable for this pricing action as the net increase in the rates is not sufficient to cause a significant distortion. The Engineering Overhead rate of [ ] proposed by the contractor is not considered acceptable, based upon experience of the prior fiscal year and the first half of the current fiscal year (ending 28 February 1965). This matter was discussed with the contractor's representative, [ ] who concurred in the reasonableness of a [ ] rate. The material handling rate of [ ] and the general and administrative expense rate of [ ] proposed by the contractor appear low based upon current year to date experience but the influx of anticipated increased volume should tend to bring the actual rates for the full year in line with these proposed rates.

The results of the review, as detailed in Exhibit A, are summarized as follows:

	Proposed by Contractors	Auditor's Findings	
		Accepted	Questioned
Proposal No. GN-8652			
Estimated Costs:			
Original proposal			
Less: Requirements eliminated			
Plus: Requirements added			
Adjusted Proposal			
Fixed Fee			
Estimated Price			
Proposal No. GN-8651			
Estimated Costs			
Fixed Fee			
Estimated Price			

It was agreed between the Contractor and the Contracting Officer that an additional requirement is to be included in the work set forth in Proposal No. GN-8651 for the purchasing of [ ] of outside consulting services to assist in the evaluation of the operation of the [ ] to

be developed under the contract. This  effort is in addition to the price shown above and is not to bear any burden or fee.

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4. The amounts shown as accepted by the auditor, in paragraph 3 above, were agreed to by the contractor.

SIGNED

WILLIAM F. EDWARDS  
Auditor General Representative (APL)

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